

Message Text

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ACTION AF-10

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FOR BED/MEPD

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SUBJECT: ROAD CONSTRUCTION IN NIGERIA

1. NEW FMG REGULATIONS REGARDING ROAD CONSTRUCTION MAY BENEFIT U.S. CONTRACTORS. ON MARCH 9 THE MINISTRY OF PUBLIC WORKS CALLED IN THE LEADING ROADBUILDERS OF NIGERIA AND TOLD THEM THAT REDUCED AVAILABILITY OF FUNDS WOULD AFFECT FUTURE PAYMENTS. ACCORDING TO THE MINISTRY, THERE WAS ENOUGH MONEY TO PAY ALL BILLS INCURRED THROUGH THE FISCAL YEAR ENDING MARCH 31, 1978. HOWEVER, AFTER THAT TIME THE MINISTRY WOULD BE ABLE TO PAY ONLY TWO-THIRDS OF THE AMOUNT OWED FOR WORK WHILE THE BALANCE WOULD HAVE TO BE PAID THROUGH SOME KIND OF BANK FINANCING. THE CONTRACTORS WOULD BE OBLIGED TO ARRANGE THE FINANCING THEMSELVES ALTHOUGH THE FMG WOULD PAY PRINCIPAL AND INTEREST AND OTHER RELATED CHARGES.

2. IN DISCUSSIONS WITH THE EMBASSY IN THE PAST FEW DAYS ON THIS NEW TWIST, BANKERS HAVE TOLD US THAT THE NEW RULING WILL STYMIE THE TOP BUILDERS. THE CRUX OF THE PROBLEM IS THAT THE LARGEST CONTRACTORS HERE (E.G. GERMANY'S BERGER AND FRANCE'S DUMEZ) ARE ALREADY UP TO THE BORROWING CEILING AUTHORIZED BY CURRENT REGULA-

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TIONS. THE NEW RULE WILL PRESUMABLY FORCE THEM TO RESORT TO OFFSHORE BORROWING, NOT A BOUNTIFUL SOURCE WHEN IT COMES TO CONSTRUCTION WORK. ON THE OTHER HAND, COMPANIES WHICH HAVE NOT REACHED THEIR BORROWING LIMITS HERE SHOULD BE ABLE TO OBTAIN FUNDS LOCALLY. THE AMERICANS WHO HAVE NOT INCURRED MUCH DEBT HERE COULD USE THIS AS AN ADVANTAGE.

3. ANOTHER FACTOR WHICH IS BEGINNING TO WORK IN THE AMERICANS' FAVOR IS THE DETERIORATION OF RECENTLY COMPLETED NEW HIGHWAYS. THE PROBLEM LIES NOT IN FAULTY WORK OF FOREIGN CONTRACTORS BUT MORE IN INADEQUATE SPECIFICATIONS. STATE ROADS, FOR EXAMPLE, FOLLOW THE NORM OF ALLOCATING N 150,000 (ONE NAIRA EQUALS \$1.57) FOR THE CONSTRUCTION OF ONE KILOMETER OF ROAD. IN CONTRAST, FEDERAL ROADS COST N 500,000 PER KILOMETER. CONSTRUCTION MEN TELL US THAT THE FEDERAL HIGHWAYS ARE EQUIVALENT IN DURABILITY TO U.S. ROADS BUT THE STATE HIGHWAYS DECAY WITHIN A YEAR AFTER COMPLETION. THE CAUSE IS A VERY SHALLOW ASPHALT SURFACING THAT DOES NOT EXCEED 1 1/2 INCHES. THIS IS FURTHER WEAKENED BY AN INSUFFICIENT UNDERLAY WHICH USES LATERITE INSTEAD OF CRUSHED ROCK. BUILDERS ARE RESPONSIBLE FOR ROAD MAINTENANCE FOR A YEAR; WHEN THEY DEPART THE POTHoles APPEAR AND MULTIPLY QUICKLY. THIS IS NOW BEGINNING TO HAPPEN AND RANCOR AGAINST THE FOREIGN CHEATERS CAN BE EXPECTED. AGAIN THIS CAN BE ADVANTAGEOUS TO THOSE NOT YET BESMIRCHED. POINTING TO THE CONSEQUENCES OF POOR SPECIFICATIONS, NEW COMPANIES ON THE SCENE CAN POINT TO THEIR "BLAMELESS RECORD" AND ARGUE FOR A CHANGE IN DESIGN IN NEGOTIATING CONTRACTS.

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